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December 16, 1997

Cynthia L. Johnson
Cash Management Policy and Planning Division
Financial Management Service
US Department of the Treasury
401 14th Street, S.W. Room 420
Washington, D.C. 20227

Dear Ms. Johnson,

The National Federation of Community Development Credit Unions (NFCDCU) respectfully submits comments on the proposed regulations 31 CFR Part 208, which will require all Federal payments to be made electronically by January 2, 1999. NFCDCU is a national trade association representing 162 community development credit unions (CDCUs) ranging in size from less than \$500,000 in assets to almost \$50 million.

CDCUs specialize in bringing low-income people into the financial mainstream by providing a safe and affordable place to save their money. Particularly, for a low-income person with no prior relationship to a banking institution, the advantages to joining a credit union are significant. CDCUs provide:

- ▶ financial education and counseling
- ▶ the ability to accumulate savings and earn interest or dividends on those savings
- ▶ the opportunity to access credit and develop credit histories

EFT has generated considerable interest among our membership because of both the challenges and opportunities it poses. The mandate to transfer all payments by January 2, 1999 sets an ambitious deadline with little over a year to reach out to as many households as possible, assisting people who may never have had a relationship with a financial institution to open accounts and to move from "transactors" to savers. Particularly, challenging will be ensuring that all recipients of federal benefits, especially elderly and disabled populations, are provided with sufficient education to access the benefits to which they are entitled.

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Comments

The regulations state that Treasury's goals include: making certain that recipients have access to their funds *at a reasonable cost*; providing appropriate consumer protections; ensuring that the system delivers payments and information accurately, conveniently and in a timely manner; and significantly increasing participation by recipients in the country's financial system. Where an individual certifies that he or she does not have an account at a financial institution, or where an individual fails to respond to a request for information Treasury will, provide the individual with access to an account (ETA) at a federally-insured financial institution selected by Treasury.

Outreach is Critical. While the emphasis on delivery systems and particularly the ETAs in the proposed regulations is necessary, it is most important that federal benefit recipients receive clear, consistent and accurate information on the range of financial institutions in their communities that may serve them through direct deposit and to increase the number of Americans that are regular savers in financial institutions.

Bank is not a generic term for financial institution. NFCDCU is extremely concerned that to date the Treasury department has used terms such as bank accounts, bank statements and bank branches when referring to financial institutions. This is not merely an issue of semantics. We have heard numerous reports of credit union members that have believed that they would not be able to obtain electronic transfers to their credit union accounts as a result of poor and inaccurate information. Materials must clearly state that financial institutions refer to both banks and credit unions.

Lists of neighborhood credit unions and banks should be provided. NFCDCU recommends that Treasury place a primary emphasis on assisting individuals to open accounts at financial institutions where they may benefit from a range of products and services. The regulations should clearly state that the Treasury Department will be responsible for providing a list of all neighborhood financial institutions for recipients of federal benefits. The list should include *contact persons and fee structures* for each financial institution so the recipient may be able to make an informed decision on where they choose to open an account.

Multi-lingual materials must be more consistently available. Multi-lingual outreach and education materials should be more broadly distributed. In the preparation of these materials, as in the English language materials, Treasury must be careful to not mislead people by referring to banks or banking institutions as a generic term for financial institution.

Consumer Cost should be minimal. For individuals for whom *Electronic Transfer Accounts* will be necessary, the proposed regulations do not define the specific account characteristics of the proposed ETAs. The regulations stipulate that ETAs be provided at a reasonable cost. We recommend that reasonable cost be determined not on the presentation by bidding agencies but by a realistic assessment of the average fixed income of a recipient compared to the cost of living in the city, state or region. We are concerned that ETA service fees, as well as the costs of wire transfers, are kept to a minimum.

Education and training for Electronic Transfer Account holders will be necessary. Although the Treasury Department has made provisions to contract with consumer groups to help people learn to use ATMs and manage personal finance, many low-income consumers have little or no experience with financial institutions. EFT recipients will require significant person-to-person training and education on balancing checkbooks, planning monthly finances, and using an ATM. This training should be conducted by established consumer and community groups or community development credit unions, experienced with working with low-income persons.

To date, education and training at the community level, financial institution level and the household level have fallen short. We strongly urge the Treasury Department to step up their educational efforts in the upcoming year through increased and consistent communication with CDCUs.

Thank you for providing us the opportunity to comment on these proposed regulations. We look forward to working closely with the Treasury Department to assist in this important initiative.

Sincerely,



Clifford N. Rosenthal
Executive Director